



Annual Report 2013



KASB Corporation

(Formerly Sigma Corporation Limited)

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Our vision

To be a leading investment company, governed by shareholder returns and managed in line with the highest ethical standards.

Our commitment

We will maintain financial discipline and adhere to professional and moral codes. In the operation of the company, we will comply with all rules and regulations set down by the supervisory authorities.

Company information

Board of Directors	Mr. Muzaffar Ali Shah Bukhari	Chairman
	Mr. Nasir Ali Shah Bukhari	Chief Executive Officer
	Syeda Mubashira Khawaja Bukhari	Director
	Mr. Tariq Riaz Malik	Director
	Syed Waseem ul Haq Haqqi	Director
	Mr. Irshad Ali Shaban Ali Kassim	Director
	Ms. Sophie Lui	Director
Chief Financial Officer	Mr. Muhammad Aamir Ahmadani	
Company Secretary	Mr. Zia-ul-Haq	
Auditors	M/s Ernst & Young Ford Rhodes Sidat Hyder & Co. Chartered Accountants	
Legal Advisor	Mohsin Tayebaly & Co.	
Audit Committee	Syed Waseem ul Haq Haqqi	Chairman
	Mr. Muzaffar Ali Shah Bukhari	Member
	Mr. Tariq Riaz Malik	Member
Bankers	KASB Bank Limited	
	Soneri Bank Limited	
Registered Office & Head Office	90-91 Razia Shariff Plaza, Blue Area, Islamabad - 44000	
	Tel	: (051) 2826181-82
	Fax	: (051) 2826184
	Email	: info.kcorp@kasb.com
	Website	: www.kasb.com
Principial Office	8-C, Block 6, P.E.C.H.S., Off Shahrah-e-Faisal, Karachi.	
	Tel	: (021) 34557233-4, 34544850-1,
	Fax	: (021) 34544439
Share Registrar	THK Associates (Pvt.) Limited	
	Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi. 75530. P.O.Box. No. 8533	
	Tel: (92-21) 111-000-322, Fax: (92-21) 35655595	
	Email	: info@thk.com.pk
	Website	: www.thk.com.pk

Board of Directors

Mr. Muzaffar Ali Shah Bukhari **Chairman**

Mr. Muzaffar Ali Shah Bukhari comes from an investment banking background and possesses good understanding of local and international capital markets. Mr. Muzaffar is also the Managing Director of KASB Group and has been instrumental in some major transactions and regional expansions for the Group. He has also worked with UBS Investment Bank, New York and Amaranth Advisors, Singapore.

Mr. Bukhari graduated Magna Cum laude from Northwestern University with a Bachelors Degree in Economics and has attended various courses at prestigious institutions including Harvard Business School, Kellogg School of Management and Babson College. He is also a CFA level III candidate.

Mr. Nasir Ali Shah Bukhari **Chief Executive Officer**

Mr. Nasir Ali Shah Bukhari joined KASB, his family business in 1979 at Karachi Stock Exchange. Since then he has built KASB into a full scale financial services group including banking, asset management, brokerage, Islamic finance and investment banking.

Mr. Bukhari has served as Chairman of privatization commission province of Sindh. He was a member of public procurement regulatory authority Pakistan. ("PPRA"). He has also served on various other economic committees in the Government.

Mr. Bukhari has served as Pakistan Chapter Chair of the Young Presidents' Organization. ("YPO") and is an active member of Chief Executive Organization (C.E.O), USA. He is also a member of the Banking Commission of International Chamber of Commerce ("ICC").

He is an MBA from Karachi and has attended various professional courses at leading institutions including The Wharton School at University of Pennsylvania, Yale School of Management, MIT -Massachusetts Institute of Technology, USA, and Aspen Institute U.S.A. Currently he is a PhD candidate at Peking University.

Syeda Mubashira Khawaja Bukhari **Director**

Ms. Mubashira Bukhari is an Investment Manager on the global emerging markets equities team at Aberdeen Asset Managers Ltd, mainly responsible for analysis of potential investments across LATAM/EMEA. Mubashira joined Aberdeen in 2007 from KASB Bank where she was a manager in the service quality division.

Ms. Bukhari graduated with MSc in Wealth Management from Singapore Management University and MSc in Economics from Lahore University of Management Sciences. Ms. Bukhari is also a CFA Charter holder.

Mr. Tariq Riaz Malik
Director

Mr. Tariq Riaz Malik is an experienced senior executive with a solid foundation in the financial industry. He has successfully originated and implemented strategies to help businesses and advised on the formulation of government financial policy. His experiences include a working knowledge in financial products, power development, IT and government policy implementation.

Since 2008, Mr. Malik has led an independent consulting firm; T.Rock Capital Inc. which provides strategic advice to Global clients. Prior to this, Mr. Malik was a Principal at Morgan Stanley in New York. At Morgan Stanley, he was part of the Investment Banking team responsible for coverage of the Middle East and Pakistan.

Mr. Malik received a Masters in International Economics from the University of Warwick in England and prior to that he received his B.A (HONS) in Economics from the University of Essex in England.

Syed Waseem ul Haq Haqqi
Director

Mr. Waseem ul Haq Haqqi is a qualified Chartered Accountant having diversified experience in Pakistan and Middle East in public and private sectors, including senior management positions in the automobile industry as Chairman, CEO, COO and CFO, and as Chairman of several Government Organizations. As a chairman of Board of Investment Pakistan, Mr. Haqqi was actively involved in framing investments and economic policies of Pakistan: focused on increasing foreign direct investments.

Mr. Haqqi has also been a member of several Government Cabinet Committees, including Economic Coordination Committee of the Cabinet, Cabinet Committee on Privatization and Cabinet Committee of Investment.

He is a fellow member of Institute of Chartered Accountants of Pakistan.

Mr. Irshad Ali Shaban Ali Kassim
Director

Mr. Irshad Ali Shaban Ali Kassim serves as Vice Chairman of Karam Ceramics Limited. He has over 35 years of experience in Industry, Banking, Trade & Finance, Corporate & other Laws. His leadership qualities and vast experience has gained him to lead and serve on the boards as Director in KASB Bank Limited, Industrial Promotion Services (Pakistan) Limited, Kidney Centre of Pakistan, Shakarganj Food Products Limited, Best Travels (Pvt.) Limited and KASB Securities Limited.

Mr. Kassim graduated from University of Southern California U.S.A. in Business Administration. He has further specialized in Master of Law in International Law and Disaster Management from Trinity College & University U.S.A. and obtained Honorary Degree of Doctor of Philosophy in Business Management from Burkes University.

Ms. Sophie Liu
Director

Ms. Liu Yun, is a Chinese national, and is currently associated with Asia International Finance Limited in the capacity as Executive Director. Ms. Yun has also worked as an Assistant General Manager of Sichuan Huatong Investment Holdings Co., Ltd. and was mainly in charge of human resources management and financial projects from 2005 to 2009.

Ms. Yun has obtained a Master of Business Administration from Sichuan Normal University and has a national qualification certificate of human resource management.



Directors' Report to the members

On behalf of the Board of Directors of KASB Corporation Limited (formerly Sigma Corporation Limited), I am pleased to present the Directors' Report and audited financial statements of the Company for the year ended June 30, 2013.

Financial Performance

Balance Sheet	June 30, 2013	June 30, 2012
	-----Rupees in Million-----	
Investments	321	253
Total Assets	404	390
Equity	394	370
Profit and Loss Account		
Revenue	35	25
Expenses	10	6
Profit before tax	25	19
Taxation	1	7
Net profit	24	12
Earnings per share (Rupee)	0.79	0.42

The Company made prudent investments yielding higher returns and tax savings. This resulted in increase in revenue by 40% and 100% rise in net profit as compared to previous year.

Merger with KASB Finance Private Limited

The Board of Directors of the Company had approved a Scheme of Amalgamation through which KASB Finance (Private) Limited will merge with and in to the Company. KASB Finance (Private) Limited is an investment holding company of the KASB Group. A petition was filed with Islamabad High Court for approval of the proposed merger. The approval has been granted in principle by the Honorable Court on September 24, 2013 after obtaining shareholders and creditors approvals of both the companies in a joint Extraordinary General meeting of both the companies held on July 22, 2013. Subsequent to the completion of other legal formalities, the Company will stand merged with KASB Finance (Private) Limited and the Company will become the listed Company of the KASB Group.

Change of Name

During the year, the Securities & Exchange Commission of Pakistan has approved the Company's application for change of its name from Sigma Corporation Limited to KASB Corporation Limited.

Corporate Governance

The directors confirm compliance with the Corporate & Financial Reporting Framework of the Securities and Exchange Commission of Pakistan (SECP's) Code of Corporate Governance for the following:

Proper books of account of the Company have been maintained;

The financial statements prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and the changes in equity;

Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment;

Approved Accounting Standards, as applicable in Pakistan, Companies Ordinance, 1984 and the directives issued by the Commission have been followed in the preparation of the financial statements;

The system of internal control, which is sound in design has been effectively implemented and is being continuously reviewed and monitored;

The Company is financially sound and is a going concern and that there are no doubts about its ability to continue as a going concern;

Key operating and financial data of the preceding years has been included in these financial statements;

There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2013 except for those disclosed in the financial statements;

There has not been any material departure from the best practices of Corporate Governance, as detailed in the listing regulations. The external auditors have emphasized on certain matters in their review report on statement of compliance with code of corporate governance included in this annual report.

Employee Benefits Scheme

The Company operates a recognized Funded Employees' Provident Fund (The Fund). The value of investments of the Fund based on audited accounts for the year ended June 30, 2013 was Rs. 1.5 million.

Changes in Board Composition

Mr. Syed Liaquat Ali resigned from the office of directorship on September 23, 2013 and in his place Mr. Tariq Riaz Malik was co-opted to fill the casual vacancy for the remaining term of the office.

The Board welcomes the new director on the Board and places on record its sincere appreciation for the services rendered by the outgoing director.

Meetings of Board of Directors

The attendance of Directors at the Board meetings was as follows:

Name of Director	Meetings held during the year	Meetings attended
Muzaffar Ali Shah Bukhari, Chairman	Six	Six
Nasir Ali Shah Bukhari, Chief Executive Officer	Six	Six
Syeda Mubashara Bukhari	Six	None
Syed Liaquat Ali	Six	Six
Syed Waseem ul Haq Haqqi	Six	Five
Mr. Irshad Ali Shaban Ali Kassim	Six	Five
Ms. Sophie Lui	Six	None

*Against all absences, leave of absence was granted by the Board.

Appointment of External Auditors

The external auditors Messrs. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants stand retired after expiry of their tenor. As per the recommendations of the Audit Committee, the Board endorses the re-appointment of Messrs. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as the external auditors for the financial year ending 2014. Approval to this effect will be sought from the shareholders at the forthcoming Annual General Meeting.

Shareholding

The pattern of shareholding as on June 30, 2013 is annexed to the financial statements. Transactions in the shares of the Company as reported by the Directors, Chief Executive Officer, Chief Financial Officer and Company Secretary of the Company on their own account and on account of their spouses and minor children, where applicable are also reported therein.

Acknowledgement

The Directors wish to record their gratitude to the Company's valued clients, shareholders and business partners for their continued trust and confidence, Securities and Exchange Commission of Pakistan and other regulatory authorities for their guidance. The Board would also like to record their appreciation to the employees of the Company for their commitment and dedication.

For and on behalf of the Board of Directors.

Dated: September 28, 2013
Karachi



Muzaffar Ali Shah Bukhari
Chairman

Summary of assets and liabilities

(as at June 30)

Rupees in '000'

Particulars	2013			2012			2011		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total	Continuing	Discontinued	Total
Authorized share capital	1,000,000	-	1,000,000	1,000,000	-	1,000,000	1,000,000	-	1,000,000
Equity									
Paidup share capital	300,000	-	300,000	300,000	-	300,000	300,000	-	300,000
Reserve fund	-	-	-	-	-	-	67,424	-	67,424
Unappropriated profit / (loss)	48,800	-	48,800	24,942	-	24,942	(32,900)	-	(32,900)
Unrealized loss on revaluation of investments	-	-	-	-	-	-	(1,511)	-	(1,511)
Surplus on revaluation of fixed assets	44,918	-	44,918	45,126	-	45,126	45,334	-	45,334
	393,718	-	393,718	370,068	-	370,068	378,347	-	378,347
Liabilities									
Deferred tax	6,156	-	6,156	6,263	-	6,263	20,981	-	20,981
Long term deposits	-	-	-	-	-	-	-	57,882	57,882
Current liabilities	3,775	-	3,775	13,574	-	13,574	34,286	20,081	54,367
	9,931	-	9,931	19,837	-	19,837	55,267	77,963	133,230
Assets									
Property and equipment	62,315	-	62,315	63,132	-	63,132	67,720	-	67,720
Net investment in finance lease	-	-	-	-	-	-	-	108,608	108,608
Investments	320,984	-	320,984	253,444	-	253,444	213,618	-	213,618
Long term deposits	232	-	232	232	-	232	232	-	232
Current assets	20,118	-	20,118	73,097	-	73,097	29,053	92,346	121,399
	403,649	-	403,649	389,905	-	389,905	310,623	200,954	511,577
Income									
Markup on deposits / placement	5,673	-	5,673	2,420	12,236	14,656	3,841	25,052	28,893
Return on investment	25,992	-	25,992	21,193	-	21,193	15,839	-	15,839
Other operating income	2,872	-	2,872	1,877	-	1,877	1,669	-	1,669
	34,537	-	34,537	25,490	12,236	37,726	21,349	25,052	46,401
Expenses									
Administrative expenses	9,932	-	9,932	6,033	12,820	18,853	7,420	13,191	20,611
Financial charges	4	-	4	147	-	147	190	-	190
	9,936	-	9,936	6,180	12,820	19,000	7,610	13,191	20,801
Profit before taxation	24,601	-	24,601	19,310	(584)	18,726	13,739	11,861	25,600
Provision for taxation									
Current	937	-	937	6,605	13,661	20,266	6,307	11,139	17,446
Prior	121	-	121	168	299	467	-	(2,834)	(2,834)
Deferred	(107)	-	(107)	(129)	(14,588)	(14,717)	775	(10,864)	(10,089)
	951	-	951	6,644	(628)	6,016	7,082	(2,559)	4,523
Profit after taxation	23,650	-	23,650	12,666	44	12,710	6,657	14,420	21,077
Unappropriated profit / (loss)	24,942	-	24,942	(32,900)	-	(32,900)	(49,888)	-	(49,888)
Transfer from surplus on revaluation	208	-	208	208	-	208	126	-	126
	48,800	-	48,800	(20,026)	44	(19,982)	(43,105)	14,420	(28,685)
Appropriation									
Transfer to statutory reserve	-	-	-	(67,424)	-	(67,424)	4,215	-	4,215
Dividend	-	-	-	22,500	-	22,500	-	-	-
	-	-	-	(44,924)	-	(44,924)	4,215	-	4,215
Unappropriated profit / (loss)	48,800	-	48,800	24,898	44	24,942	(47,320)	14,420	(32,900)

Summary of assets and liabilities

(as at June 30)

Rupees in '000'

	2010	2009	2008
Authorized share capital	1,000,000	1,000,000	1,000,000
Equity			
Paidup share capital	300,000	300,000	300,000
Reserve fund	63,209	61,862	61,862
Unappropriated (loss) / profit	(49,889)	(55,404)	12,330
Unrealized gain / (loss) on revaluation of investments	12	(14,746)	(42,199)
Surplus on revaluation of fixed assets	54,941	55,068	55,194
	368,273	346,780	387,187
Liabilities			
Deferred tax	31,070	42,833	49,730
Long term loans - secured	-	33,333	141,667
Finance lease liabilities	397	1,077	1,739
Certificate of deposits	-	107,569	79,537
Long term deposits	39,048	131,105	206,448
Current liabilities	92,703	316,774	503,832
	531,491	979,471	1,370,140
Assets			
Property and equipment	81,885	82,690	85,986
Net investment in finance lease	119,243	278,688	541,329
Investments	60,118	137,333	163,257
Long term deposits	599	596	596
Deferred costs	-	-	-
Current assets	269,646	480,164	578,972
	531,491	979,471	1,370,140
Income			
Lease income	46,777	89,287	128,553
Markup on deposits / placement	3,123	3,025	395
Others	25,299	7,515	27,811
	75,199	99,827	156,759
Expenses			
Administrative expenses	24,326	24,054	23,854
Financial charges	19,781	64,473	73,291
Other charges	7,607	71,124	1,467
Bad debts written off	16,053	-	-
Provision for potential lease losses	4,613	-	-
Provision for diminution in AFS investments	3,305	14,592	-
	75,685	174,243	98,612
Profit before taxation	(486)	(74,416)	58,147
Provision for taxation			
Current	8,229	340	2,890
Prior	(3,688)	-	42
Deferred	(11,763)	(6,896)	636
	(7,222)	(6,556)	3,568
Profit after taxation	6,736	(67,860)	54,579
Unappropriated profit / (loss)	(55,404)	12,330	19,541
Transfer from general reserve	-	-	-
Transfer from surplus on revaluation	126	126	126
	(48,542)	(55,404)	74,246
Appropriation			
Transfer to statutory reserve	1,347	-	10,916
Dividend	-	-	51,000
	1,347	-	61,916
Unappropriated (loss) / profit	(49,889)	(55,404)	12,330

Pattern of shareholding

(as at June 30, 2013)

<i>Shareholding</i>		<i>Number of shareholders</i>	<i>Total shares held</i>	<i>Percentage (%)</i>
<i>From</i>	<i>To</i>			
1	- 100	25	118	0.0004
101	- 500	18	9,000	0.0300
501	- 1,000	1	1,000	0.0033
1,001	- 5,000	1	1,976	0.0066
5,001	- 10,000	1	8,000	0.0267
29,975,001	- 29,980,000	1	29,979,906	99.9330
		47	30,000,000	100.00

Categories of shareholders

<i>Particulars</i>	<i>Shareholders</i>	<i>Shareholding</i>	<i>Percentage (%)</i>
Sponsors, Directors, CEO & Children	9	29,991,406	99.9714
Individuals	37	8,593	0.0286
Joint Stock Company	1	1	0.0000
	47	30,000,000	100.00

Pattern of shareholding

(as at June 30, 2013)

Category no.	Categories of shareholders	Number of shares held	Category wise no. of shareholders	Category wise shares held	Percentage (%)
1	Individuals		37	8,593	0.03
2	Joint stock companies		1	1	-
3	Investment companies		-	-	-
4	Sponsors, Directors, Chief Executive Officer and their spouse and minor children		9	29,991,406	99.97
	Mr. Muzaffar Ali Shah Bukhari	500			
	Mr. Nasir Ali Shah Bukhari	500			
	Syeda Mubashira Khawaja Bukhari	500			
	Syed Liaquat Ali	500			
	Syed Waseem ul Haq Haqqi	500			
	Mr. Irshad Ali Shaban Ali Kassim	500			
	Ms. Sophie Lui	500			
	KASB Finance (Pvt.) Limited	29,979,906			
	KASB Finance (Pvt.) Limited	8,000			
5	Executives		-	-	-
6	NIT / ICP		-	-	-
7	Associated companies, undertaking and related parties		-	-	-
8	Public sector companies and corporations		-	-	-
9	Banks, DFIs, NBFCs, insurance companies, modarabas and mutual funds		-	-	-
10	Foreign investors		-	-	-
11	Co-operative societies		-	-	-
12	Charitable trusts		-	-	-
13	Others		-	-	-
	Total		47	30,000,000	100.00

Shareholders holding five percent or more voting interest in the listed company

Names of shareholder	No. of shares held	Percentage (%)
KASB Finance (Pvt.) Limited	29,979,906	99.93
Total	29,979,906	99.93

Notice of 17th annual general meeting

Notice is hereby given that the seventeenth Annual General Meeting of KASB Corporation Limited (formerly Sigma Corporation Limited (the Company) will be held at its registered office situated at 90-91 Razia Shariff Plaza, Blue Area, Islamabad on Thursday October 31, 2013 at 10:30 A.M. to transact the following business:

Ordinary Business:

1. To confirm the minutes of the Extra Ordinary General Meeting held on December 7, 2012, July 22, 2013 and September 30, 2013.
2. To receive, consider and adopt the audited financial statements of the Company for the year ended June 30, 2013 together with the Directors' and Auditors' Report thereon.
3. To appoint M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants ("Ernst & Young") as the auditors for the year ending June 30, 2014 and fix their remuneration.
4. Any other business with the permission of the chair.

By order of the Board

Karachi
October 11, 2013

Zia-ul-Haq
Company Secretary

Notes:

- (i) Share transfer books of the Company will remain closed from October 25, 2013 to October 31, 2013 (both days inclusive). Transfers received in order at the office of our Share Registrar, Messrs THK Associates (Private) Limited, Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road Karachi 75530, Tel: (92-21) 111-000-322, Fax: (92-21) 35655595; by the close of business on October 25, 2013 will be treated in time.
- (ii) A member of the Company entitled to attend and vote may appoint another member as his/her proxy to attend and vote instead of him/her. Proxy will have the same rights as are available to the member.
- (iii) Proxy must be received at the office of our Share Registrar not later than 48 hours before the time of the meeting. The form of proxy submitted must be witnessed by two persons whose names, addresses and Computerized National Identity Card (CNIC) numbers must be mentioned on the form, along with the attested copies of CNIC or the passport of the beneficial owner and the proxy.
- (iv) In case of proxy by a corporate entity, Board of Directors' resolution/power of attorney shall also be submitted along with the form.
- (v) Beneficial owners of the shares registered in the name of Central Depository Company of Pakistan Limited and/or their proxies are required to produce their original CNIC or Passport for identification purpose at the time of attending the meeting.
- (vi) Members are requested to promptly notify any change in their address to the office of our Share Registrar.



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Review report to **the members**

on Statement of Compliance with Best Practices of the Code of Corporate Governance

We have reviewed the Statement of compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **KASB CORPORATION LIMITED** [formerly: Sigma Corporation Limited](the Company) to comply with the said Code.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance, procedures and risks.

Further, the Code requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, for the year ended 30 June 2013.

We draw your attention to :

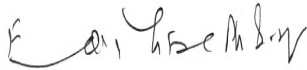
- i. clause 6 of the Statement, which states that the complete record of particulars of significant policies has not been approved by the Directors;
- ii. clause 15 of the Statement, which states that the Company's Audit Committee do not have an independent director as the chairman of the committee;



-:2:-

- iii. clause 17 of the Statement, which states that the Company do not have an HR and Remuneration Committee; and
- iv. clause 18 of the Statement, which states that the Company has not appointed / designated any person as the head of internal audit.

Our conclusion is not qualified in respect of the above matters.



Chartered Accountants
Date: 28 September 2013
Karachi

Statement of compliance with code of corporate governance for the year ended June 30, 2013

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors on its Board. At present the board includes:

Category	Names
Independent Directors	<ul style="list-style-type: none"> ● Ms. Sophie Liu ● Mr. Tariq Riaz Malik
Executive Director	<ul style="list-style-type: none"> ● Mr. Nasir Ali Shah Bukhari
Non-Executive Directors	<ul style="list-style-type: none"> ● Mr. Muzaffar Ali Shah Bukhari ● Syeda Mubashira Khawaja Bukhari ● Syed Waseem ul Haq Haqqi ● Mr. Irshad Ali Shaban Ali Kassim

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the period.
5. The company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies will be approved by the Board of Directors in due course.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.

8. The meetings of the board were presided over by the Chairman and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board is well aware of the training requirements of the directors under the code. Mr. Nasir Ali Shah Bukhari, Syed Waseem ul Haq Haqqi and Mr. Irshad Ali Kassim have over 15 years of experience of directorship on the Board of Listed companies and have acquired atleast 14 years of education. Rest of the directors would be trained as per the requirement of the Board, accordingly. The Board will arrange training programs for the directors during the prescribed timeframe.
10. The appointment, remuneration and terms and conditions of appointment of CFO, CEO and Company Secretary were approved by Board of the Company.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises three members, all of whom are non-executive directors. The chairman of the committee is a non-executive director but is not an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Company has requested to the Commission for granting exemption to form a HR and Remuneration Committee.
18. The board has outsourced the internal audit function of the Company to a Chartered Accountant firm having satisfactory rating under the quality control review program of the ICAP. The firm presents the Internal Audit report before the Audit Committee every quarter. The Company has not appointed / designated any person as the head of internal audit. The Company has requested to the Securities & Exchange Commission of Pakistan to grant exemption to the appointment of Head of Internal Audit.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the

firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/ final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of Board of Directors



Muzaffar Ali Shah Bukhari
Chairman
September 28, 2013



Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
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Pakistan

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Auditors' report to **the members**

We have audited the annexed balance sheet of **KASB CORPORATION LIMITED** [formerly: Sigma Corporation Limited] ("the Company") as at **30 June 2013** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes in accounting policies as disclosed in note 3.1, with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

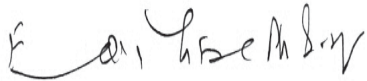


-:2:-

- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **30 June 2013** and of the loss, comprehensive loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to the Note 1.4 and Note 1.5 to the accompanying financial statements, which state that the shareholders of the Company have approved the scheme of arrangement for the amalgamation of the Company with KASB Finance (Private) Limited (KFPL), subject to completion of requisite legal and regulatory requirements. Subsequent to the year end, the Honourable High Court of Islamabad has also accepted the merger petition of the Company and KFPL subject to removal of objection as stated in the above referred note. Our opinion is not qualified in respect of the above matter.

The financial statements of the Company for the year ended 30 June 2012 were audited by another firm of Chartered Accountants, whose audit report dated 26 September 2012 expressed an unmodified opinion on those statements. However, the audit report on the financial statements of the Company for the year ended 30 June 2012 included emphasis of matter paragraphs in respect of the matter relating to the (i) provision against Workers' Welfare Fund not made by the Fund in the previous year, and (ii) discontinuation of leasing business.



Chartered Accountants
Audit Engagement Partner: Arslan Khalid
Date: 28 September 2013
Karachi

Balance sheet

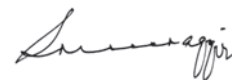
As at 30 June 2013

	Note	2013	2012
(Rupees)			
ASSETS			
Current assets			
Cash and bank balances	6	8,454,694	69,894,289
Investments	7	320,983,599	253,443,952
Short term loans	8	10,000,000	-
Prepayments and other receivables	9	708,116	3,202,719
Advance taxation - net		955,477	-
Total current assets		341,101,886	326,540,960
Non-current assets			
Long term deposits	10	232,200	232,200
Property and equipment	11	62,315,232	63,131,847
Total non-current assets		62,547,432	63,364,047
TOTAL ASSETS		403,649,318	389,905,007
LIABILITIES			
Current liabilities			
Accrued expenses, advances and other liabilities	12	3,775,150	2,764,315
Provision for taxation - net		-	10,809,607
Total current liabilities		3,775,150	13,573,922
Non-current liabilities			
Deferred tax liability - net	13	6,155,703	6,262,902
TOTAL LIABILITIES		9,930,853	19,836,824
NET ASSETS		393,718,465	370,068,183
REPRESENTED BY:			
Issued, subscribed and paid-up capital	14	300,000,000	300,000,000
Reserves		48,800,731	24,942,144
		348,800,731	324,942,144
Surplus on revaluation of property and equipment - net of deferred tax	15	44,917,734	45,126,039
		393,718,465	370,068,183
Contingencies and commitments	16		

The annexed notes from 1 to 29 form an integral part of these financial statements.



Chief Executive Officer



Director

Profit and loss account

For the year ended 30 June 2013

	Note	2013	2012
(Rupees)			
INCOME			
CONTINUING OPERATIONS			
Mark-up on bank balances and short term loans		5,673,139	2,419,871
Mark-up on investment	17	5,260,611	21,768,756
Realised gain / (loss) on sale of investments		7,738,331	(669,712)
Unrealised gain / (loss) on revaluation of investments		12,993,373	93,952
Other operating income	18	2,872,179	1,877,270
		<u>34,537,633</u>	<u>25,490,137</u>
EXPENSES			
Administrative and operating expenses	19	9,932,425	6,032,883
Financial charges	20	3,716	147,320
		<u>9,936,141</u>	<u>6,180,203</u>
Profit before taxation		<u>24,601,492</u>	<u>19,309,934</u>
Taxation	21		
-Current		937,665	6,605,334
-Prior		120,742	168,237
-Deferred		(107,197)	(129,282)
		<u>951,210</u>	<u>6,644,289</u>
PROFIT FROM CONTINUING OPERATIONS		<u>23,650,282</u>	<u>12,665,645</u>
DISCONTINUED OPERATION			
Income from discontinued operation - net of tax	27	-	44,444
NET PROFIT FOR THE YEAR		<u><u>23,650,282</u></u>	<u><u>12,710,089</u></u>
Earnings per share - basic and diluted	25		
From continuing operations		0.79	0.42
From discontinued operation		-	0.00
Total		<u><u>0.79</u></u>	<u><u>0.42</u></u>

The annexed notes from 1 to 29 form an integral part of these financial statements.



Chief Executive Officer



Director

Statement of comprehensive income

For the year ended 30 June 2013

	2013	2012
	(Rupees)	
Profit for the year	23,650,282	12,710,089
Other comprehensive income		
Items to be reclassified to profit or loss in subsequent periods:		
Surplus / (deficit) on revaluation of investments - net of deferred tax	-	1,510,774
Total comprehensive income for the year	<u>23,650,282</u>	<u>14,220,863</u>

The annexed notes from 1 to 29 form an integral part of these financial statements.



Chief Executive Officer



Director

Cash flow statement

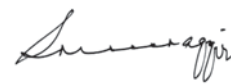
For the year ended 30 June 2013

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation		(Rupees)
From continuing operations	24,601,492	19,309,934
From discontinued operation	-	(584,010)
	24,601,492	18,725,924
Adjustments for:		
Depreciation	816,615	1,675,534
Amortization	-	110,728
Financial charges	3,716	147,320
Amortization of bond premium	-	(164,149)
Gain on sale of property and equipment	-	(17,608)
Net gain on re-measurement of investments held for trading	(12,993,373)	(93,952)
Realised (gain) / loss on sale of investments	(7,738,331)	669,712
	4,690,119	21,053,509
Changes in operating assets / liabilities		
Net investment in finance lease	-	200,953,453
Lease key money deposits	-	(77,962,405)
Prepayments and other receivables	2,494,602	2,477,061
Accrued expenses and other liabilities	1,010,835	(2,056,697)
	3,505,437	123,411,412
Cash (used in) / generated from operations	8,195,556	144,464,921
Financial charges paid	(3,716)	(234,692)
Taxes paid	(12,823,491)	(19,245,417)
	(12,827,207)	(19,480,109)
Net cash generated from operating activities	(4,631,651)	124,984,812
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(1,739,000)
Purchase of investments	(681,506,748)	(988,476,585)
Proceeds on disposal of investments	634,698,805	949,750,049
Short term loans - net	(10,000,000)	-
Proceeds on disposal of property, plant and equipment	-	4,558,000
Deposits	-	-
Net cash used in investing activities	(56,807,943)	(35,907,536)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	(22,500,000)
Net cash used in financing activities	-	(22,500,000)
Net (decrease) / increase in cash and cash equivalents during the year	(61,439,594)	66,577,276
Cash and cash equivalents at the beginning of the year	69,894,289	3,317,013
Cash and cash equivalents at the end of the year	8,454,694	69,894,289

The annexed notes from 1 to 29 form an integral part of these financial statements.



Chief Executive Officer



Director

Statement of changes in equity


For the year ended 30 June 2013

	Issued, subscribed and paid-up capital	Statutory Reserve	Unappropriated profit / (loss)	Surplus / (deficit) on revaluation of investments	Total
	(Rupees)				
Balance as at 1 July 2011	300,000,000	67,424,141	(32,900,391)	(1,510,774)	333,012,976
Transfer to statutory reserves	-	(67,424,141)	67,424,141	-	-
<i>Transactions with owners, recognised directly in equity</i>					
Final dividend for the year ended 30 June 2011 @ Re. 0.5 per share	-	-	(15,000,000)	-	(15,000,000)
Interim dividend for the year 2012 @ Re. 0.25 per share	-	-	(7,500,000)	-	(7,500,000)
	-	-	(22,500,000)	-	(22,500,000)
<i>Total comprehensive income for the year</i>					
Profit after taxation for the year	-	-	12,710,089	-	12,710,089
Other comprehensive income	-	-	-	1,510,774	1,510,774
	-	-	12,710,089	1,510,774	14,220,863
	300,000,000	-	24,733,839	-	324,733,839
Transfer from surplus on revaluation of property and equipment incremental depreciation for the period - net of deferred tax	-	-	208,305	-	208,305
Balance as at 30 June 2012	300,000,000	-	24,942,144	-	324,942,144
<i>Total comprehensive income for the year</i>					
Profit after taxation for the year	-	-	23,650,282	-	23,650,282
Other comprehensive income	-	-	-	-	-
	-	-	23,650,282	-	23,650,282
	300,000,000	-	48,592,426	-	348,592,426
Transfer from surplus on revaluation of property and equipment incremental depreciation for the period - net of deferred tax	-	-	208,305	-	208,305
Balance as at 30 June 2013	300,000,000	-	48,800,731	-	348,800,731

The annexed notes from 1 to 29 form an integral part of these financial statements.



Chief Executive Officer



Director

Notes to the financial statements

For the year ended 30 June 2013

1. LEGAL STATUS AND OPERATIONS

- 1.1 The Company was incorporated in Pakistan on April 11, 1996 as a Public Limited Company and received certificate of commencement of business on January 27, 1997 and is listed on the Karachi Stock Exchange since 1997. The registered office of the Company is situated at 90-91 Razia Sharif Plaza, Blue area, Islamabad.
- 1.2 On May 31, 2012, the Securities and Exchange Commission of Pakistan (SECP) de-registered the Company as a Non-banking Finance Company (NBFC) and revoked its license to carry on leasing business vide letter NLA/PRDD/SCD/Sigma/2012-704 on June 22, 2012. The SECP has issued certificate of change of name of the Company from "Sigma Leasing Corporation Limited" to "Sigma Corporation Limited". Accordingly, necessary amendments have also been made in the Memorandum and Articles of Association of the Company. Pursuant to the said discontinuation of leasing business in the previous year, the Company's core business is now to undertake portfolio investment management and investment in other financial instruments.
- 1.3 During the previous year, the majority shareholders of the Company entered into an agreement with KASB Finance (Private) Limited [KFPL] whereby KFPL acquired 29,996,406 ordinary shares of the Company, representing 99.99% of the issued and paid up capital of the Company. Accordingly, KFPL has become the holding company of the Company effective September 26, 2012.
- 1.4 During the year, the Board of Directors of the Company has approved in principal the proposed merger of the Company with KFPL in their meeting held on October 31, 2012. For this purpose, a scheme of amalgamation (the Scheme) has also been approved by shareholders of the Company in their Extra Ordinary General Meeting held on 22 July 2013, subject to completion of requisite legal and regulatory requirements. As per the proposed Scheme, the entire undertaking and business inclusive of all assets, properties, rights, liabilities and dues of KFPL will be transferred to and assumed by the Company with effect from 26 September 2012. As a consideration, the Company will issue 557,760,996 ordinary shares to the shareholders of KFL. The Company will continue as a legal entity and KFPL upon amalgamation will cease to exist without winding-up. The amalgamation is expected to lead to an increased asset base and size of the merged entity.
- 1.5 The Company along with KFPL has filed a petition in the Honorable High Court of Islamabad (the Honorable High Court) for the approval of the above referred scheme. The said petition has been accepted by the Honorable High Court vide its order dated 24 September 2013 subject to removal of objection raised by SECP which requires the Company to increase its authorised share capital in order to absorb the paid-up capital of KFPL and the Company. The Company has initiated the process for the increase in authorised share capital as per the requirement of the court order.
- 1.6 On 5 September 2013, SECP has issued certificate for change of name of the Company from "Sigma Corporation Limited" to "KASB Corporation Limited".

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS)

issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except that investments are carried at fair value and leasehold land and building on leasehold land are stated at revalued amounts as stated in note 3.2 and 3.3 respectively.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

3.1 New and amended standards and interpretations

The Company has adopted the following amendments to IFRSs which became effective for the current year:

IAS 1 – Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)

IAS 12 – Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above amendments did not have any effect on the financial statements.

3.2 Investments

The management of the Company determines the appropriate classification of its investments at the time of purchase and classifies its investment at fair value through profit or loss account, held to maturity and available for sale.

All investments are initially recognised at cost, being the fair value of the consideration given including transaction costs associated with the investment except in the case of investments at fair value through profit or loss account where transaction costs are charged to profit and loss account when incurred.

a) Investments at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held-for-trading and financial assets designated upon initial recognition as at fair value through profit or loss. These securities are either acquired for generating a profit from short-term fluctuation in prices or are securities included in a portfolio in which a pattern of short-term profit taking exists, and related transaction costs are expensed out. These investments are measured at subsequent reporting dates at fair value and resulting gains and losses are included in the profit and loss account for the year.

b) Available for sale investments

Investments which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity are classified as available for sale. After initial recognition, these are stated at fair values (except for unquoted investments where active market does not exist) with any resulting gains or losses being taken to comprehensive income until the investment is disposed or impaired, at which time the respective surplus or deficit is transferred to profit and loss account.

Unquoted investments where active market does not exist and whose fair value cannot be reliably measured are stated at cost.

c) Held to maturity investments

Investments with fixed or determinable payments and fixed maturity where management has both the positive intent and ability to hold to maturity are classified as held to maturity and are stated at amortised cost. Provision for impairment in value, if any, is taken to income currently.

Impairment of financial assets

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of that asset is estimated and impairment losses are recognised in the profit and loss account.

3.3 Property and equipment

Owned

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any except leasehold land and building on leasehold land which is stated at revalued amount less accumulated depreciation and impairment loss, if any. The revaluation of lease hold land and building on lease hold land is carried out every five years.

Depreciation

Depreciation is charged to profit and loss account applying the straight line method whereby the cost /revalued amount of an asset is written off over its estimated useful life. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the preceding month of disposal.

Surplus on revaluation of property and equipment is credited to the surplus on revaluation account. To the extent of the incremental depreciation charged on the revalued assets the related surplus on revaluation of property and equipment (net of deferred taxation) is transferred directly to unappropriated profit.

Subsequent costs

These are included in an asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other expenses are charged to income during the financial period in which they are incurred.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognised net within other operating income in profit or loss account.

Leased

Asset subject to finance lease are accounted for by recording the asset at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired. The related obligations under the lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged in a manner similar to owned assets.

Impairment of non financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.4 Revenue recognition

Operating lease income

Rental income from operating lease is recognized on a straight line basis over the terms of relevant lease.

Mark-up income on debt securities

Mark-up income on debt securities is recognized at the rates implicit in the respective investment schemes on time proportion basis.

Dividend income

Dividend income from investment is recognised when the Company's right to receive dividend is established.

Gain on sale of investments

Capital gain or losses arising on sale of investments are taken to income in the period in which they arise.

Interest income

Interest income on Bank deposits and debt securities is recognised on time proportion basis using the effective interest method.

3.5 Allocation of expenses between continuing and discontinued operations

Administrative and operating expenses have been allocated between continuing and discontinued operations in proportion to their respective taxable income.

3.6 Taxation

Income tax comprises current and deferred tax. Income tax expense is recognised in profit or loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income.

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account available tax credits, rebates and tax losses, or one percent of turnover, whichever is higher. The charge for the current tax is calculated using tax rates enacted or substantively enacted at the reporting date. The charge for current tax also includes adjustments, where considered necessary relating to prior years.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amount of assets and liabilities used for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax is charged or credited to the profit and loss account except deferred tax, if any, on revaluation of property and equipment, which is recognised as an adjustment to surplus / deficit on revaluation.

3.7 Staff retirement benefit

The Company operates an approved provident fund for all its eligible employees. Equal monthly contributions are made, both by the Company and its employees, to the fund at the rate of 8.33 percent of basic salary.

3.8 Offsetting of financial assets and financial liabilities

Financial assets and a financial liabilities are setoff and the net amount is reported in the balance sheet, when and only when, the Company has a enforceable legal right to set off the amounts and it intends either to settle on net basis or to realize the asset and to settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the approved accounting standards, or for gains and losses arising from a group of similar transactions.

3.9 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

3.10 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, bank deposits and running finance under mark-up agreement. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand.

3.11 Discontinued operation

A discontinued operation is a separate major line of business, which is a distinct part of the business both operationally and for financial reporting purposes and which is in the process of being discontinued by the entity. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative period.

3.12 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on derecognition of the financial assets and financial liabilities are taken to profit and loss account currently.

All regular way purchases of financial assets are recognised on a transaction date i.e. the date the Company receives the financial asset. All regular way sales of financial assets are recognized on the settlement date i.e. the date the asset is delivered to the counter party. Regular way purchases or sales of financial assets that require delivery of assets within the time generally established by regulation or convention the market place.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in period of revision and future periods if the revision affects both current and future periods.

The estimates and judgments that have a significant effect on the financial statements are in respect of the following:

- Classification of investments and impairment thereon (notes 3.3 and 7);
- Residual values and useful lives of property and equipment (notes 3.3 and 11);
- Recognition of taxation and deferred taxation (notes 3.6, 13 and 21); and
- Allocation of expenses between continuing and discontinued operations (note 3.5 and 28)

5. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following revised standards, interpretations and amendments with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard, interpretation or amendment:

5.1	Standard, interpretation or amendment	Effective date (accounting periods beginning on or after)
IFRS 7	- Financial Instruments : Disclosures – (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 01, 2013
IAS 19	- Employee Benefits – (Amendment)	January 01, 2013
IAS 32	- Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IFRIC 20	- Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

5.2 The Company expects that the adoption of the above revisions and amendments of the standards will not materially affect the Company’s financial statements in the period of initial application.

5.3 Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

6. CASH AND BANK BALANCES

	Note	2013 (Rupees)	2012
In hand		6,392	8,982
In current accounts	6.1	18,920	11,381
In PLS accounts	6.2	<u>8,429,382</u>	<u>69,873,926</u>
		<u><u>8,454,694</u></u>	<u><u>69,894,289</u></u>

6.1 This includes deposit of Rs. 10,531 (2012: Rs. 1,690) with the State Bank of Pakistan.

6.2 This represents PLS accounts maintained with various commercial banks at a mark-up rate range from 6% to 10.15% (2012: 6% to 10.25%) per annum.

7. INVESTMENTS

		2013 (Rupees)	2012
At fair value through profit or loss (held for trading)	7.1	270,983,599	10,093,952
Available for sale (Government securities)	7.3	-	243,350,000
Held to maturity	7.4	<u>50,000,000</u>	-
		<u><u>320,983,599</u></u>	<u><u>253,443,952</u></u>

7.1 At fair value through profit or loss (held for trading)

2013	2012	Name of mutual funds (related party)	2013		2012	
			Cost	Market value	Cost	Market value
Number of units			(Rupees)			
392,555	96,599	KASB Cash Fund	40,000,000	40,318,286	10,000,000	10,093,952
2,040,217	-	KASB Islamic Income Opportunity Fund	202,185,309	211,914,444	-	-
235,256	-	KASB Income Opportunity Fund	15,710,965	18,750,869	-	-
			<u>257,896,274</u>	<u>270,983,599</u>	<u>10,000,000</u>	<u>10,093,952</u>

7.2 Reconciliation of cost of investments with the market value of investments

	2013	2012
	(Rupees)	
Cost of investments	257,896,274	10,000,000
Unrealized gain on revaluation of held-for- trading investments	13,087,325	93,952
Market value of investments	270,983,599	10,093,952

7.3 Government securities (Market treasury bills) were matured during the year.

7.4 This represents certificate of Musharaka issued by KASB Modaraba (related party). These certificates carried markup at the rate of 5.75% per annum and maturing in July 2013.

8. SHORT TERM LOANS - Unsecured

During the year the Company entered into a loan agreement with KASB Invest Private Limited (KIPL), whereby, the Company has provided unsecured loan to KIPL of Rs. 15 million. The loan carried markup at the rate of KIBOR plus 2.5% repayable on monthly basis. The loan is repayable by December 2013.

9. PREPAYMENTS AND OTHER RECEIVABLES

Prepaid Insurance	30,604	64,654
Interest accrued on;		
- investments	543,492	2,631,502
- loans	98,537	-
- deposits	1,519	-
	643,548	2,631,502
Other receivables	33,964	506,563
	708,116	3,202,719

10. LONG TERM DEPOSITS

10.1 232,200 232,200

10.1 This represents security deposits with Central Depository Company of Pakistan Limited, The Karachi Electric Supply Company Limited and others.

11. PROPERTY AND EQUIPMENT

		2013									
		Cost / revaluation				Rate	Accumulated depreciation				Written down
		As at 01 July 2012	Additions	Disposal / write off	As at 30 June 2013	%	As at 01 July 2012	For the year	Disposal	As at 30 June 2013	value as at 30 June 2013
		----- (Rupees) -----					----- (Rupees) -----				
Property and equipment											
Owned											
Leasehold land	11.1	39,000,000	-	-	39,000,000	-	-	-	-	-	39,000,000
Building on leaseholds land	11.1	23,572,909	-	-	23,572,909	2	574,950	574,950	-	1,149,900	22,423,009
Furniture and fixtures		2,601,839	-	-	2,601,839	10	2,521,197	26,155	-	2,547,352	54,487
Vehicles		112,298	-	-	112,298	10	84,775	4,930	-	89,705	22,593
Computer, office equipments and generators		3,766,358	-	-	3,766,358	10-33.3	2,740,635	210,580	-	2,951,215	815,143
		<u>69,053,404</u>	<u>-</u>	<u>-</u>	<u>69,053,404</u>		<u>5,921,557</u>	<u>816,615</u>	<u>-</u>	<u>6,738,172</u>	<u>62,315,232</u>
		----- (Rupees) -----									
		----- (Rupees) -----									
		Cost / revaluation				Rate	Accumulated depreciation				Written down
		As at 01 July 2011	Additions / Transfer for the year	Disposal / write off	As at 30 June 2012	%	As at 01 July 2011	For the year	Disposal / reversal	As at 30 June 2012	value as at 30 June 2012
		----- (Rupees) -----					----- (Rupees) -----				
Property and equipment											
Owned											
Leasehold land	11.1	39,000,000	-	-	39,000,000	-	-	-	-	-	39,000,000
Building on leaseholds land	11.1	23,572,909	-	-	23,572,909	2	-	574,950	-	574,950	22,997,959
Furniture and fixtures		2,601,839	-	-	2,601,839	10	2,495,042	26,155	-	2,521,197	80,642
Vehicles		7,947,884	1,739,000	(9,574,586)	112,298	10	4,543,212	575,759	(5,034,196)	84,775	27,523
Computer, office equipments and generators		4,162,358	-	(396,000)	3,766,358	10-33.3	2,637,963	498,670	(395,998)	2,740,635	1,025,723
		<u>77,284,990</u>	<u>1,739,000</u>	<u>(9,970,586)</u>	<u>69,053,404</u>		<u>9,676,217</u>	<u>1,675,534</u>	<u>(5,430,194)</u>	<u>5,921,557</u>	<u>63,131,847</u>
		----- (Rupees) -----									
		----- (Rupees) -----									

11.1 In accordance with the Company's accounting policy, leasehold land and building on leasehold land were revalued on 30 June 2001, 30 June 2006 and 30 June 2011. The revaluations were carried out by independent valuers, Surval Engineering Surveyors & Technical Consultants on 30 June 2001 and Credit and Commerce Consultants (Private) Limited on 30 June 2006 and 30 June 2011. The revaluations were completed on the basis of professional assessment of present market values and resulted in surplus / (deficits) over the book value of the respective assets as follows;

	30 June 2011	30 June 2006	30 June 2001
	----- (Rupees) -----		
Leasehold land	(12,900,000)	33,900,000	16,200,000
Building on leasehold land	<u>3,419,000</u>	<u>7,284,000</u>	<u>2,436,000</u>
	<u>(9,481,000)</u>	<u>41,184,000</u>	<u>18,636,000</u>

11.2 Had there been no revaluation, the net book value of the revalued leasehold land and building would amount to:

	2013	2012
	(Rupees)	
Leasehold land	1,800,000	1,800,000
Building on leasehold land	<u>11,197,648</u>	<u>11,483,019</u>
	<u>12,997,648</u>	<u>13,283,019</u>

11.3 Cost of fully depreciated assets included in the property & equipments are as follows:

Vehicles	62,988	62,988
Computer and office equipment	2,100,070	1,764,570
Furniture and fixtures	<u>2,340,290</u>	<u>2,340,290</u>
	<u>4,503,348</u>	<u>4,167,848</u>

12. ACCRUED EXPENSES, ADVANCES AND OTHER LIABILITIES

Accrued expenses	553,637	380,729
Advances from customers	-	40,887
Deposit and advance rent from tenant	-	600,000
Provision against Workers' Welfare Fund (WWF)	3,095,791	1,445,357
Others	<u>125,722</u>	<u>297,342</u>
	<u>3,775,150</u>	<u>2,764,315</u>

13. DEFERRED TAX LIABILITY - net

Taxable temporary differences arising on;		
- difference between accounting book value of fixed assets and tax base	<u>6,155,703</u>	<u>6,262,902</u>

14. SHARE CAPITAL

Authorized capital

	2013	2012			
	(Number of shares)				
90,000,000	90,000,000	90,000,000	Ordinary shares of Rs.10/- each	900,000,000	900,000,000
<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	Preference shares of Rs.10/- each	<u>100,000,000</u>	<u>100,000,000</u>
<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>		<u>1,000,000,000</u>	<u>1,000,000,000</u>

Issued, subscribed and paid up capital

			Fully paid ordinary shares of Rs.10 each for consideration in cash		
<u>30,000,000</u>	<u>30,000,000</u>	<u>30,000,000</u>		<u>300,000,000</u>	<u>300,000,000</u>

14.1 During the year, KASB Finance (Private) Limited acquired 29,996,406 ordinary shares of the Company, representing 99.99% of the issued and paid up capital of the Company for consideration aggregating to Rs. 367,156,009 (see note 1.4 and 1.5). Accordingly, KFPL has become the holding company of the Company effective September 26, 2012.

15. SURPLUS ON REVALUATION OF PROPERTY AND EQUIPMENT - net of deferred tax

Movement in the surplus on revaluation of property and equipment account is as follow:

	2013	2012
	(Rupees)	
Balance as on 01 July	45,126,039	45,334,344
Transfer to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(208,305)	(208,305)
	44,917,734	45,126,039

16. CONTINGENCIES AND COMMITMENTS

16.1 The tax authorities have issued order / notice to leasing companies for the payment of Federal Excise Duty (FED) on their interest / mark-up income and classified lease finance facility as "Non-funded Banking Service". Therefore, leasing companies are not considered exempt from FED exemption available under Rule 40A of the Federal Excise Rules 2005. The Deputy Commissioner Inland Revenue (DCIR) passed an Order dated 27 September 2011 against the Company imposing FED amounting to Rs.22.84 million on leasing transactions of the Company. The Company filed an appeal on 14 December 2011 against the above mentioned Order before Commissioner Inland Revenue (Appeals-II), Regional Tax Office, Karachi (CIR Appeals). During the year, CIR Appeals upheld the order issued by DCIR against the Company through Order No. CIR/A-IV/21 dated 30 November 2012 and the Company had filed an appeal to Appellate Tribunal Inland Revenue on February 22, 2013. As per the Company's tax advisor, based on the available facts and legal aspects of the case, favorable outcome is anticipated and hence no provision is required to be made as on June 30, 2013.

16.2 In 2008, an assessment order was issued in respect of tax year 2004 which raised an additional tax demand for Rs. 23.5 million on account of capital gain, tax gain on termination of lease and disallowance of initial depreciation on property and machinery. The Company filed an appeal with the Appellate Tribunal Inland Revenue of Pakistan (ATIR) who deleted all the matters on 09 May 2011 except for the taxability of capital gain on sale of listed securities which was remanded back to the taxation officer. As per the Company's tax advisor, based on the available facts and legal aspects of the case, favorable outcome is anticipated and hence no provision is required to be made as on June 30, 2013.

17. RETURN ON INVESTMENT

	<i>Note</i>	2013	2012
		(Rupees)	
Mark-up on:			
- Pakistan investment bonds		-	1,865,320
- Market treasury bills		333,118	19,420,268
- Musharaka certificates		4,627,752	-
- Sukuks		299,741	-
		<u>5,260,611</u>	<u>21,285,588</u>
Dividend income		-	483,168
		<u>5,260,611</u>	<u>21,768,756</u>

18. OTHER OPERATING INCOME

Gain on sale of property and equipment		-	17,608
Rental income		1,800,000	1,500,000
Others	<i>18.1</i>	<u>1,072,179</u>	<u>359,662</u>
		<u>2,872,179</u>	<u>1,877,270</u>

18.1 This includes Rs 1.0 million received from a client on lease settlement previously written off.

19. ADMINISTRATIVE AND OPERATING EXPENSES

		2013	2012
		(Rupees)	
Salaries and other benefits		3,263,498	7,047,025
Contribution to provident fund	<i>19.1</i>	126,679	309,827
Directors' fees		25,000	47,500
Security services		70,934	105,000
Utilities		568,649	667,067
Postage and periodicals		28,692	32,159
Printing and stationery		285,170	244,417
Vehicle running and maintenance		54,162	953,587
Insurance		244,936	677,566
Travelling and conveyance		600	34,411
Auditors' remuneration	<i>19.2</i>	427,049	543,400
Legal and professional charges		1,614,691	4,267,760
Provision for Workers' Welfare Fund (WWF)	<i>19.3</i>	1,650,434	-
Depreciation	<i>11</i>	816,615	1,675,534
Amortization		-	110,728
Entertainment		34,563	87,987
Advertisement expenses		141,650	108,260
Repairs and maintenance		55,180	829,738
Brokerage expenses - securities		15,585	350,876
Commission paid for lease settlement		-	295,269
Others		508,338	464,647
		<u>9,932,425</u>	<u>18,852,758</u>
Expenses allocated to discontinued operation		-	(12,819,875)
		<u>9,932,425</u>	<u>6,032,883</u>

	2013	2012
	(Rupees)	
19.1 Provident fund		
Size of the fund	1,719,055	2,013,716
Cost of investments made	500,000	1,473,400
Percentage of investments made	29.09%	73.17%
Fair value of investments	709,692	1,628,004

19.1.1 Break-up of Investments of provident fund

Break-up of investments in terms of amount and percentage of the size of the provident fund are as follows:

	30 June 2013		30 June 2012	
	Investments	% of investment as size of the fund	Investments	% of investment as size of the fund
	(Rupees)			
Treasury Bill	-	0.00%	973,400	48.34%
DSCs	500,000	29.09%	500,000	24.83%
	<u>500,000</u>	<u>29.09%</u>	<u>1,473,400</u>	<u>73.17%</u>

Investments out of provident fund have been made in accordance with the provisions of the section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

19.2 Auditor's remuneration

Ernst & Young Ford Rhodes Sidat Hyder

Annual audit	250,000	-
Fee for half yearly review	75,000	-
Fee for review of compliance with code of corporate governance	25,000	-
Other certifications	20,000	-
Out of pocket expenses	57,049	-

KPMG Taseer Hadi & Co.

Annual audit	-	250,000
Fee for half yearly review	-	75,000
Fee for special certification	-	125,000
Fee for review of compliance with code of corporate governance	-	25,000
Other certifications	-	20,000
Out of pocket expenses	-	48,400
	<u>427,049</u>	<u>543,400</u>

19.3 Provision for WWF for the year ended June 30, 2012 and June 30, 2013 is recognised in the current year.

	<i>Note</i>	2013	2012				
		(Rupees)					
20. FINANCIAL CHARGES							
Mark-up on running finances under mark-up arrangements		-	125,609				
Arrangement charges		-	11,300				
Bank charges		<u>3,716</u>	<u>10,411</u>				
		<u><u>3,716</u></u>	<u><u>147,320</u></u>				
21. TAXATION							
- current		937,665	6,605,334				
- prior		120,742	168,237				
- deferred		<u>(107,197)</u>	<u>(129,282)</u>				
		951,210	6,644,289				
Tax expense from discontinued operation	27	-	(628,454)				
		<u>951,210</u>	<u>6,015,835</u>				
Reconciliation between accounting profit and tax expense:							
Accounting profit							
From continuing operations		24,601,492	19,309,934				
From discontinued operation	27	-	(584,010)				
		<u>24,601,492</u>	<u>18,725,923</u>				
Tax @ 35%		8,610,522	6,554,073				
Tax effect of:							
- loss exempt from tax		-	234,399				
- income taxed at reduced rates		(3,124,233)	(530,742)				
- tax effect of exempt income		(4,547,681)	-				
- prior year adjustment / reversal of turnover tax		120,742	(130,850)				
- other		<u>(108,140)</u>	<u>(111,045)</u>				
		<u>951,210</u>	<u>6,015,835</u>				
22. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES							
		<u>Chief executive officer</u>	<u>Director</u>	<u>Executives</u>			
		2013	2012	2013	2012		
		(Rupees)					
Managerial remuneration		73,350	-	-	2,080,200		
Housing and utilities		36,650	-	-	1,039,800		
Provident fund		6,113	-	-	173,352		
Vehicle allowance		49,250	-	-	867,191		
Directors' fee		-	25,000	47,500	-		
Club subscription		-	-	-	12,000		
		<u>165,363</u>	<u>-</u>	<u>-</u>	<u>4,172,543</u>		
	<i>Number</i>	<u>1</u>	<u>1</u>	<u>7</u>	<u>10</u>	<u>-</u>	<u>2</u>
22.1	Aggregate amount charged in the financial statement with respect to directors' fee relating to the previous Board was Rs. 25,000 (2012: Rs. 47,500).						

22.2 No remuneration was paid to the directors of the Company during the year.

22.3 Remuneration paid to the Ex Chief Executive Officer (CEO) is for one month only. No remuneration has been paid to the current CEO.

23. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safe guard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

24. FINANCIAL RISK MANAGEMENT

Introduction and overview

The Company has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing it.

24.1 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

24.2 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company, resulting in a financial loss to the Company and arises principally from the Company's bank balances, other receivables, long term deposits and investment in mutual fund units.

24.2.1 Management of credit risk

The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter parties, and continually assessing the credit worthiness of counter parties.

24.2.2 Exposure to credit risk

The Company's maximum credit risk exposure at the reporting date is represented by the respective carrying amounts of the financial assets in the balance sheet. Credit risk mainly relates to deposits with banks and investment in mutual fund units. Carrying amount of these financial assets are as follows:

	2013	2012
	(Rupees)	
Bank balances	8,454,694	69,894,289
Investment in Mutual Funds (related parties)	270,983,599	10,093,952
Other receivables	33,964	506,563
Long term deposits	<u>232,200</u>	<u>232,200</u>
	<u><u>279,704,457</u></u>	<u><u>80,727,004</u></u>

24.2.3 Credit ratings

Below mentioned ratings are on the basis of available ratings assigned by PACRA and JCR-VIS as of 30 June 2013.

The analysis below summarizes the credit quality of the Company's bank balances as at 30 June 2013 and 30 June 2012:

AAA	10,603	1,763
AA	<u>8,437,770</u>	<u>69,883,544</u>
	<u><u>8,448,373</u></u>	<u><u>69,885,307</u></u>

The analysis below summarizes the credit quality of the Company's Investment in Mutual Funds as at 30 June 2013 and 30 June 2012:

AA+(f)	-	10,093,952
AA(f)	40,318,287	-
BBB+(f)	211,914,444	-
BBB-(f)	<u>18,750,869</u>	<u>-</u>
	<u><u>270,983,600</u></u>	<u><u>10,093,952</u></u>

24.2.4 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

The Company is not exposed to any concentration of credit risk as on 30 June 2013 relating to lease portfolio after discontinuation of leasing business. Sector wise analysis of bank balances, investments, long term deposits and other receivables are given below:

	2013		2012	
	(Rupees)	%	(Rupees)	%
Banking and financial institutions	8,454,694	3.02	69,885,307	86.58
Open end mutual fund	270,983,599	96.88	10,093,952	12.51
Others	266,164	0.10	738,763	0.92
	279,704,457	100.00	80,718,022	100.00

24.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Company.

24.3.1 Management of liquidity risk

The Company manages the liquidity risk by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets such as treasury bills.

24.3.2 Maturity analysis for financial assets and liabilities

The table below summarizes the maturity profile of the Company's assets and liabilities:

	Total	Contractual cash flows	Upto 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years
	(Rupees)					
As at 30 June 2013						
Assets						
Cash and bank balances	8,454,694	8,454,694	8,454,694	-	-	-
Investments	320,983,599	320,983,599	320,983,599	-	-	-
Short term loans	10,000,000	10,000,000	-	10,000,000	-	-
Other receivable	677,512	677,512	677,512	-	-	-
Long term deposits	232,200	232,200	-	-	232,200	-
	340,348,005	340,348,005	330,115,805	10,000,000	232,200	-
Liabilities						
Accrued expenses and other liabilities	679,359	679,359	679,359	-	-	-
	679,359	679,359	679,359	-	-	-
As at 30 June 2012						
Assets						
Cash and bank balances	69,894,289	69,894,289	69,894,289	-	-	-
Investments	253,443,952	253,443,952	253,443,952	-	-	-
Other receivable	3,138,065	3,138,065	3,138,065	-	-	-
Long term deposits	232,200	232,200	-	-	232,200	-
	326,708,506	326,708,506	326,476,306	-	232,200	-
Liabilities						
Accrued expenses and other liabilities	678,071	678,071	678,071	-	-	-
	678,071	678,071	678,071	-	-	-

24.4 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

24.4.1 Management of market risks

The Company manages the market risk by monitoring exposure on marketable securities by following internal risk management policies developed and updated by risk management committee. The Company is exposed to interest rate and price risk only.

24.4.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. During the year, the Company mainly exposed to mark-up / interest rate risk on its investments.

At the reporting date, the interest rate profile of Company's interest-bearing financial instruments is as follows:

	2013	2012
	(Rupees)	
Fixed rate instruments		
Financial assets	<u>320,983,599</u>	<u>253,443,952</u>
Variable rate instruments		
Financial assets	<u>8,429,382</u>	<u>69,873,926</u>

Cash flow sensitivity analysis for variable rate instruments

The Company holds profit earning current accounts with various banks exposing the Company to cash flow interest rate risk (as detailed in note 6).

For cash flow sensitivity analysis of variable rate instruments, a hypothetical change of 100 basis points in interest rates during the year would have decreased / increased profit and equity for the year by the amounts shown below. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	Profit or loss		Equity (100 bp)	
	before tax (100 bp)		Increase	(Decrease)
	Increase	(Decrease)	Increase	(Decrease)
	----- (Rupees) -----		----- (Rupees) -----	
As at 30 June 2013				
Cash flow sensitivity - Variable rate instruments*	<u>84,294</u>	<u>(84,294)</u>	<u>54,791</u>	<u>(54,791)</u>
As at 30 June 2012				
Cash flow sensitivity - Variable rate instruments*	<u>698,739</u>	<u>(698,739)</u>	<u>454,181</u>	<u>(454,181)</u>

*net of financial liabilities.

The information about Company's exposures to interest rate risk based on contractual repricing or maturity dates whichever is earlier is as follows:

As at 30 June 2013	Effective rate of mark-up / return %	Exposed to interest rate risk				Not exposed to interest rate risk
		Amount	Upto 6 months	Over 6 months to 1 year	over 5 years	
Financial Assets						
Bank balances	6.00 - 10.15	8,448,302	8,429,382	-	-	18,920
Investments	9.5 - 9.64	320,983,599	320,983,599	-	-	-
Short term loans	11.97	10,000,000	10,000,000	-	-	-
Other receivables		677,512	-	-	-	677,512
Long term deposits		232,200	-	-	-	232,200
		340,341,613	339,412,981	-	-	928,632
Financial Liabilities						
Accrued expenses and other liabilities		679,359	-	-	-	679,359
On balance sheet gap		339,662,254	339,412,981	-	-	249,273
<hr/>						
As at 30 June 2012	Effective rate of mark-up / return %	Amount	Upto 6 months	Over 6 months to 1 year	over 5 years	Not exposed to interest rate risk
Financial Assets						
Bank balances	6.00 - 10.25	69,885,307	69,873,926	-	-	11,381
Investments	11.06 - 11.87	253,443,952	253,443,952	-	-	-
Other receivables		3,138,065	-	-	-	3,138,065
Long term deposits		232,200	-	-	-	232,200
		326,699,524	323,317,878	-	-	3,381,646
Financial Liabilities						
Accrued expenses and other liabilities		678,071	-	-	-	678,071
On balance sheet gap		326,021,453	323,317,878	-	-	2,703,575

24.5 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Presently, the Company holds mutual funds units classified as 'at fair value through profit or loss' that expose the Company to equity price risk. The table below summarises the Company's market risk as of 30 June 2013 and 2012. It shows the effect of a 10% increase and 10% decrease in the market prices of equity investments as on those dates on the Company's profit and equity.

At the reporting date, the investment profile of the Company is classified as follows:

	Carrying Amount			
	30 June 2013		30 June 2012	
	----- (Rupees) -----			
Investments				
Fair value through profit or loss (held for trading)	-	-	10,093,952	10,093,952
	Profit or loss		Equity	
	Increase	(Decrease)	Increase	(Decrease)
	----- (Rupees) -----		----- (Rupees) -----	
30 June 2013	-	-	-	-
30 June 2012	1,009,395	(1,009,395)	1,009,395	(1,009,395)

24.6 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Company's activities.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- contingency plan;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

24.7 Fair value of financial instruments

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 : quoted prices in active markets for identical assets.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Fair value of the financial assets that are traded in active markets are based on quoted market prices or dealer price quotations.

As at 30 June 2013, the Company held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
	(Rupees)			
Financial assets at fair value through profit or loss				
Investment in Mutual Funds	270,983,599	-	-	270,983,599
	<u>270,983,599</u>	<u>-</u>	<u>-</u>	<u>270,983,599</u>

25. EARNING PER SHARE - basic and diluted

	2013	2012
	(Rupees)	
Net profit after tax for the year attributable to the ordinary shareholders'		
Continuing operations	23,650,282	12,665,645
Discontinued operation	-	44,444
	<u>23,650,282</u>	<u>12,710,088</u>
Weighted average number of ordinary share outstanding during the year	<u>30,000,000</u>	<u>30,000,000</u>
Earnings per share - basic and diluted	<i>25.1</i>	
Continuing operations	0.79	0.42
Discontinued operation	-	0.00
	<u>0.79</u>	<u>0.42</u>

25.1 Basic earning per share has no dilution effect.

26. TRANSACTIONS WITH RELATED PARTIES

26.1 Related parties of the Company comprise companies with common directorship, group companies, staff retirement fund, directors and key management personnel. The following are the details of balances and transactions with related parties as at and during the year ended June 30, 2013.

	2013	2012
	(Rupees)	
26.2 Balances		
Bank Balances	8,404,480	-
Certificate of Musharaka	50,000,000	-
Short term loans	10,000,000	-
Investment in Mutual Funds	257,896,274	-
26.3 Transactions		
Income		
Markup on deposits and short term loans	4,213,236	-
Return on investments	11,822,591	-
Upfront fee	72,179	-
Expenses		
Financial charges	1,350	-
Brokerage commission	10,356	-
Others		
Contribution paid to employees provident fund	126,679	309,827

27. DISCONTINUED OPERATION (Note 1.2)

27.1 The Board of Directors and shareholders of the Company in their respective meetings held on 11 February 2012 and 08 May 2012 approved to discontinue leasing business and to surrender the leasing license to SECP which was subsequently approved vide letter no. NLA/PRDD/SCD/Sigma/2012-704, dated 31 May 2012 by the SECP.

27.2 Results from discontinued operation

Finance leases	-	12,208,637
Miscellaneous charges against leases	-	9,655
Cancellation charges of lease contracts	-	17,573
Total income from leases	-	12,235,865
Total expenses relating to lease	-	(12,819,875)
(Loss) / profit before tax from discontinued operation	-	(584,010)

	2013	2012
	(Rupees)	
Taxation		
- Current	-	(13,660,988)
- Prior	-	(299,087)
- Deferred	-	14,588,529
	-	628,454
Income from discontinued operation - net of tax	-	44,444
27.3 Cash flow from discontinued operation		
Net cash inflow from operating activities	-	109,904,161
Net cash from / (used) in investing activities	-	-
Net cash from / (used) in financing activities	-	-
Net cash generated from discontinued operation	-	109,904,161
27.4 Effect of disposal on balance sheet of the Company		
Net investment in finance lease	-	126,084,911
Key money deposits	-	(54,057,696)
Net assets and liabilities	-	72,027,215
Consideration received against termination / transfer of lease	-	72,027,215
Deferred Tax liability relating to discontinued operation	-	(10,280,299)

28. DATE OF AUTHORISATION

These financial statements were authorized for issue in the Board of Directors meeting held on 28 September 2013.

29. GENERAL

29.1 The figures of the corresponding period have been re-arranged and re-classified wherever necessary for the purpose of better presentation and comparison. However, there are no material re-classifications to report.

29.2 Figure have been rounded off to the nearest rupee.



Chief Executive Officer



Director





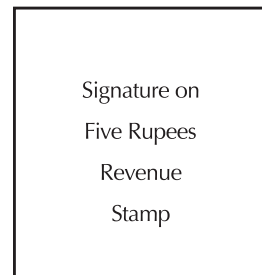
Form of proxy

I / We _____
 of _____ (full) address) being a
 Member(s) of KASB Corporation Limited (formerly Sigma Corporation Limited) holding _____
 ordinary shares hereby appoint _____ of _____ or failing him / her
 _____ of _____ as my / our proxy in my / our absence
 to attend and vote for me / use and on my / our behalf at the Seventeenth Annual General Meeting of the co-
 mpany to be held on _____ and to every adjournment thereof. _____

As witness I / we set my / our hand / seal this _____ day of _____ 2013.

Signed by the said _____

in presence of _____



The signature should agree with
 the specimen registered with the
 Company

Important Notes:

1. This proxy form, duly completed and signed, must be received at the office of our Share Registrar, Messrs THK Associates (Private) Limited, Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road Karachi 75530, Tel: (92-21) 111-000-322, Fax: (92-21) 35655595, not less than 48 hours before the time of holding the meeting.
2. If a member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the Company, all such instrument of proxy shall be rendered invalid.





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[http:// www.kasb.com](http://www.kasb.com)